

Message Text

LIMITED OFFICIAL USE

PAGE 01 COLOMB 03432 01 OF 02 120337Z

66

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 SWF-01 AGR-05 IGA-01 EB-07

CIAE-00 INR-05 NSAE-00 RSC-01 SP-02 SS-15 OMB-01

COME-00 PA-01 PRS-01 USIA-06 TRSE-00 NSC-05 L-02

CIEP-01 CEA-01 /071 W

----- 033745

P 111305Z DEC 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 1968

LIMITED OFFICIAL USE SECTION 1 OF 2 COLOMBO 03432

EO 11652: N/A

TAGS: PFOR, EAID, CE

SUBJ: SRI LANKA FOOD SITUATION: THE CASE FOR PL 480

REF: A) STATE 261629; B) STATE 23688-3 C) COLOMBO 3312:

D) STATE 238705; E) STATE 212423

1. SUMMARY: WE REPEAT OUR STRONG RECOMMENDATION THAT WASHINGTON AGENCIES ALLOCATE SOONEST AT LEAST \$8 MILLION WORTH OF WHEAT FLOUR AND AUTHORIZE NOTIFICATION TO GSL BEFORE YEAR END. BASED ON REF A ADVICE THAT THIRD QUARTER FY 1975 PL-80 FOOD AID ALLOCATION WILL BE MADE MID-DECEMBER, THIS TELEGRAM UPDATES NUTRITIONAL, CROP OUTLOOK, FOOD SUPPLY, FINANCIAL, AND POLITICAL INFO AND ANALYSES GIVEN RECENT MESSAGES.

THERE IS FURTHER EVIDENCE OF SERIOUS MALNUTRITION AND RENEWED THREAT OF STARVATION AMONG URBAN AND ESTATE WORKERS. FIRM INFO FROM SENIOR GSL OFFICIALS LAST TEN DAYS STRENGTHENS OUR EARLIER IMPRESSION THAT 1974-75 MAHA RICE CROP PROSPECT HAS SUBSTANTIALLY WORSENERD BECUASE OF DRY ZONE DROUGHT AND HIGH FERTILIZER PRICE.

AS RESULT, GSL IS NOW RAISING PREVIOUSLY REDUCED

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 COLOMB 03432 01 OF 02 120337Z

1975 RICE AND WHEAT FLOUR IMPORT PROJECTIONS AND

IS BEGINNING TO ANTICIPATE NECESSITY TO EQUAL OR EXCEED CY 1974 LEVELS. FOOD COMMISSIONER (FC) HAS ALREADY INCREASED FLOUR DISTRIBUTION TO DROUGHT STRICKEN AREAS AND EXPECTS HIGHER 1975 MONTHLY FLOUR RATION. IN CONTINUING EFFORT TO ASSURE MINIMUM 1975 STOCKS, GSL HAS PURCHASED 30,000 TONS FLOUR ON TWO YEARS CREDIT FROM JAPAN.

2. ALTHOUGH PUBLIC DISCUSSION REFLECTING DEEP, POTENTIALLY DESTABILIZING, DIVISION ON BASIC ECONOMIC POLICY WITHIN UF COALITION HAS RECEDED, NEW CURFEW RUMORS LAST WEEKEND AND CONTINUED REPORTS OF POLITICAL CONFLICT OVER ECONOMIC POLICY CONFIRM THAT POTENTIAL REMAINS FOR DOMESTIC UNREST. WITH CROP PROSPECTS DECLINING, FOOD AS A POLITICAL PROBLEM, STIMULATED BY RATION QUEUES AND STARVATION RUMORS, WILL PROBABLY REAPPEAR AS BASIC ISSUE UNDER HEATED DEBATE.

3. ACCORDING EXTERNAL RESOURCES DIRECTOR, SRI LANKA HAS RECEIVED FIRM 1974 AND/OR 1975 COMMITMENTS FOR GRANT CONCESSIONAL FOOD AID, BALANCE OF PAYMENTS SUPPORT, AND NEW PLEDGES OF OTHER TYPES ASSISTANCE FROM ALL OTHER BILATERAL AID GROUP DONORS AND FROM IRAN AND KUWAIT. DESPITE COMMERCIAL NATURE OF TRANSACTIONS, CHINESE RICE BARTERED FOR RUBBER AND CREDIT PURCHASES OF FRENCH (AND NOW JAPANESE) FOUR ARE SEEN AS MAJOR CONTRIBUTIONS BY THOSE COUNTRIES. UNITED STATES IS NOW MAJOR EXCEPTION. GSL AND CEYLONSE PEOPLE KNOW IT. DURING LAST TWO WEEKS COLOMBO PRESS PROMINENTLY AND SENIOR GSL OFFICIALS PRIVATELY HAVE MENTIONED EXPLICITLY POSSIBLE AMERICAN FAILURE TO FULFILL FOOD AID PLEDGE. AFTER MASSIVE ALLOCATIONS TO INDIA, PAKISTAN, AND BANGLADESH, GSL OFFICIALS WILL SEE USG FINANCIAL AND/OR SUPPLY

CONSTRAINTS ARGUMENT AS UNCONVINCING.

4. FOLLOWING GSL'S RECENT HIGH LEVEL REPETITIONS OF THEIR FOOD ASSISTANCE REQUEST HERE AND IN WASHINGTON, WE RELIABLY UNDERSTAND PRIME MINISTER IS WELL AWARE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 COLOMB 03432 01 OF 02 120337Z

ALLOCATION DECISION IS NOW UNDER ACTIVE CONSIDERATION AND IS FOLLOWING SITUATION CLOSELY. WE ARE CONVINCED UNITED STATES FAILURE TO FULFILL FOOD AID PLEDGE WILL BE INTERPRETED AS RENEGING ON COMMITMENT AND AS DECIDING NOT TO SUPPORT SRI LANKA'S RELATIVELY MODERATE DOMESTIC AND FOREIGN POLICY IN TIME OF EXTREME NUTRITIONAL AND FINANCIAL NEED AND OF GROWING POLITICAL PRESSURE. WE BELIEVE IT

IS CLEARLY IN USG INTEREST TO PROVIDE FOOD AID
SUPPORT TO SRI LANKA AND NOW IS DEFINITELY TIME
TO DO SO.

END SUMMARY.

5. NUTRITION: EMBASSY CONTACTS OVER LAST 30 DAYS
CONFIRM THAT DIET OF LOWER 30-50 PERCENT OF CEYLONESE
POPULATION IS STEADILY DETERIORATING BOTH IN QUANTITY
AND QUALITY. POOREST URBAN AND
RICE DEFICIT AREA POPULATION
(ESTIMATED 2.5 MILLION) ARE NOW VIRTUALLY DEPENDENT
ON MINIMAL RATIONED DISTRIBUTION (RICE: 1 LB FREE,
2 LBS AT COST WEEKLY PER HEAD; FLOUR: 1/2 TO 1 1/2 LBS
AT COST, WEEKLY; SUGAR: 3/4 LB AT COST MONTHLY).
POOR CANNOT AFFORD BREAD. IN FIRST 9 MONTHS 1974,
COLOMBO TOWN FOOD PRICE INDEX WENT UP 15.1 PERCENT AND IS
MAJOR ELEMENT IN OVERALL 12.9 PERCENT LIVING COST RISE FOR
SAME PERIOD.

6. MOST GRAPHIC RECENT EVIDENCE COMES FROM DIRECTOR
SRI LANKA'S ONCE IMPRESSIVE BLOOD BANK PROGRAM. HE
TOLD EMBOFF HIS RECORDS SHOW "CONTINUOUS SUBSTANTIAL
DETERIORATION" IN URBAN AND RURAL CHILD HEALTH.
FORTY PERCENT CANNOT UNDERGO SURGERY WITHOUT PREFATORY
NUTRITIONAL BOOST. DIRECTOR BELIEVES RELATIVE
EFFICIENCY OF RATIONED DISTRIBUTION IS ONLY REASON
INTENSE STARVATION REMAINS NOMINAL. HE ALSO
ATTRIBUTED DIRECTLY TO FOOD SHORTAGES DECLINING SCHOOL
ATTENDANCE, INCREASE IN BEGGING IN AREAS NOT
FREQUENTED BY WESTERN TOURISTS, AND NECESSITY TO IMPROVE
SECURITY PROCEDURES FOR FOOD STOCKS.

7. RICE CROP THREATENED: FOR LAST SEVERAL WEEKS THERE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 COLOMB 03432 01 OF 02 120337Z

HAVE BEEN INCREASING GSL INFORMAL AND PRESS REPORTS
OF DROUGHT IN DRY ZONE PADDY AREAS. IN LAST WEEK
SENIOR AGRICULTURE, TRADE (FOOD COMMISSIONER) AND PLANNING
MINISTRIES OFFICIALS HAVE TOLD EMBASSY DROUGHT IS INDEED
WORSENING DAILY AND THREATENS TO REDUCE VERY SUBSTANTIALLY
MARCH-APRIL MAHA RICE HARVEST. PADDY MARKETING
BOARD (PMB) SUPERVISOR FROM MAJOR RICE DISTRICT
(POLONNARUWA) TOLD EMBOFF THAT 60 - 70 PERCENT OF PLOWING AND
PLANTING NOW SIX WEEKS OVERDUE AND YET TO BEGIN DUE INADEQUATE
NORTHEAST MONSOON RAINS. FOOD COMMISSIONER (FC) TOLD
EMBOFFS DEC 6 ONLY 25 PERCENT ENTIRE MAHA CROP PLANTED SO
FAR. AGRICULTURE MINISTRY DIRECTOR OF PRODUCTION SAYS
1975 MAHA TARGET HAS BEEN REDUCED FROM ABOUT 59 MN
BUSHELS TO 39. FC BELIEVES EVEN THIS MAY BE TOO HIGH.
OPEN (BLACK) MARKET RICE PRICES ARE REFLECTING SUDDEN

REALIZATION OF POTENTIALLY SERIOUS RICE SHORTFALL. JAFFNA
PRICES HAVE JUMPED TO ABOUT RS 8 PER MEASURE FROM
RS 6 TWO WEEKS AGO. CONSENSUS AMONG SEVERAL INDEPENDENT
SOURCES IS THAT EVERY WEEK'S DELAY IN RAINS WILL CUT
PADDY HARVEST BY 4 - 8 MILLION BUSHEL.

8. RICE POSITION: AS RESULT WORSENING CHFS HARVEST
OUTLOOK, FC NOW EXPECTS HE WILL SON BE DISTRIBUTION FULL
56,000 TON MONTHLY RATION (672,000 FOR YEAR). RECENT
ACTUAL MONTHLY DRAWDOWN HAS BEEN 48,000. IF RICE CROP
FAILS SIGNIFICANTLY, RATION MAY HAVE TO BE INCREASED IN
URBAN, RICE DEFICIT, ESTATE AND DRY ZONE RURAL AREAS.
PMP 1975 PADDY PROCUREMENT COULD FALL FROM TARGETED 28 MN
BUSHEL (400,000 TONS) TO 15 MN (215,000 TONS) BUSHEL/OR LESS.
PMB 1974 TOTAL

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 COLOMB 03432 02 OF 02 120407Z

66

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 SWF-01 AGR-05 IGA-01 EB-07

CIAE-00 INR-05 NSAE-00 RSC-01 SP-02 SS-15 OMB-01

COME-00 PA-01 PRS-01 USIA-06 TRSE-00 NSC-05 L-02

CEA-01 CIEP-01 /071 W

----- 033899

P 111305Z DEC 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC PRIORITY 1969

LIMITED OFFICIAL USE SECTION 2 OF 2 COLOMBO 3432

1974 TOTAL PROCUREMENT IS WPMN BUSHEL. ASSMING
200,000 TONS FROM PMB AND PRC REGULAR 200,000 TONS
BARTERED FOR RUBBER, 200,000 TON GAP REMAINS. GSL HAS
REQUESTED ADDITIONAL 100,000 TONS FROM PRC.
PAKISTAN MIGHT SELL 50 TO 100,000 TONS. IF
RICE GAP CANNOT BE FILLED BY ADDITIONAL IMPORTS, IT
WILL HAVE TO BE COVERED WITH WHEAT FLOUR.

9. FLOUR: DROUGHT CONDITIONS AND RISING OFF-RATION OPEN MARKET RICE PRICES HAVE ALREADY FORCED FC TO INCREASE FLOUR DISTRIBUTION IN JAFFNA AREA AND TO BOOST 1975 MONTHLY DISTRIBUTION PROJECTION IN JAFFNA AREA AND TO BOOST 1975 MONTHLY DISTRIBUTION PROJECTION FROM 35 TO 36,000 TONS (432,000 TONS FOR YEAR). PROJECTION ALSO INCLUDES 54,000 TON ROLLING RESERVE IN CASE RELIEF FEEDING BECOMES NECESSARY AND TO PROVIDE END YEAR CARRYOVER. TOTAL 1975 REQUIREMENT THUS STANDS AT 486,000 TONS. PRESENT ASSURED SUPPLIES GIVEN REF C HAVE BEEN INCREASED BY ADDITIONAL 10,000 TONS AUSTRALIAN GRANT AND 30,000-TON PURCHASE FROM JAPAN DECEMBER 6 ON SAME TERMS AS FRENCH (15 PERCENT DOWN, 2 YEARS, 8.6 PERCENT, \$367 PER TON). ON DEC 10, VISITING AUSTRALIAN COMMERCIAL ATTACHE CONFIRMED THAT IT MOST UNLIKELY HIS GOVT WOULD EXTEND SIMILAR TERMS. BARRING FURTHER, NUTRITIONALLY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 COLOMB 03432 02 OF 02 120407Z

ESSENTIAL, RATION INCREASE, GSL NOW FACES MINIMUM 1975 WHEAT FLOUR SHORTFALL OF ABOUT 100,000 TONS (485,000 MINUS NOW ASSURED SUPPLY 395,000 TONS).

10. OTHER DONORS: ACCORDING EXTERNAL RESOURCES DIVISION (ERD) DIRECTOR AUSTIN FERNANDO ALL OTHER BILATERAL AID GROUP DONORS HAVE PARTIALLY OR COMPLETELY FULFILLED MAY 1974 FOOD AND/OR BALANCE OF PAYMENTS SUPPORT PLEDGES, EITHER BY COMMITMENT OR DELIVERY. ALTHOUGH COMMERCIAL AND COSTLY, CREDIT PURCHASES FROM FRANCE AND NOW JAPAN ARE SEEN AS HELPING FEED CEYLON. EASTERN EUROPEAN COUNTRIES AND USSR HAVE PROVIDED NO DIRECT EMERGENCY ASSISTANCE BUT RESULTS OF PM'S MOSCOW VISIT IN OBTAINING TENTATIVE COMMITMENT FOR MAJOR IRRIGATION PROJECT FROM SOVIETS PLUS ONGOING PROJECT TO AUGMENT FLOUR MILL CAPACITY ARE CONTRIBUTIONS TO FOOD PRODUCTION PROGRAM. PRC'S 1974 20,000-TON RICE GIFT IS REMEMBERED AND COULD BE REPEATED. KUWAIT (\$21 MILLION) AND IRAN (\$40 MILLION) HAVE CONTRIBUTED DIRECT, FAST, FOREIGN EXCHANGE SUPPORT. INTERNATIONAL FINANCIAL AGENCIES' EVALUATION OF SRI LANKA AS M.S.A. IS MOST RECENTLY CONFIRMED BY IMF'S NOVEMBER 13 SDR 23 MILLION UNDER OIL FACILITY. VISITING IBRD TEAM MEMBERS HAVE INFORMALLY CONFIRMED TO US DECEMBER 10 THAT THEY SEE EXTERNAL CONDITIONS AS MOST IMPORTANT CAUSE OF SRI LANKA'S ECONOMIC CRISIS.

11. DOMESTIC POLITICAL CLIMATE: STORMY ECONOMIC POLICY DEBATE WITHIN UF, FOCUSED ON PUBLIC/PRIVATE SECTOR RELATIONSHIP, HAS RECENTLY DIMINISHED SOMEWHAT. DEBATE, WITH LEFTISTS INSISTING THAT FURTHER NATIONALIZATION MEASURES ARE NECESSARY WHILE MODERATES ARGUE THAT FURTHER NATIONALIZATION WOULD RUIN CHANCES OF OBTAINING DESPERATELY NEEDED FOREIGN FINANCING AND INVESTMENT, HAS APPARENTLY BEEN SETTLED FOR TIME BEING WITH PRIME MINISTER COMING DOWN ON SIDE OF MODERATES. THIS STRUGGLE HAS DEFLECTED PUBLIC ATTENTION FROM FOOD

PRODUCTION AND SUPPLY QUESTIONS WHICH HAVE SO FAR NOT RESUMED LAST YEAR'S DOMINANT POSITION AS MOST PROMINENT POLITICAL ISSUE, ALTHOUGH FOOD ISSUE CONTINUES TO SIMMER JUST BELOW SURFACE. WITH DEFINITE PROSPECT THAT MAHA HARVEST SHORTFALL MAY BE SUBSTANTIAL, GSL'S ABILITY TO MAINTAIN FOOD DISTRIBUTION, LIKELY TO HEAVILY INFLUENCE POLITICAL FORTUNES OF PRIME MINISTER HEAVILY OVER NEXT TWELVE MONTHS WITH DIRECT IMPACT ON POLITICAL STABILITY. FIRST CRITICAL PERIOD IS LIKELY TO BE SPRING/SUMMER OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 COLOMB 03432 02 OF 02 120407Z

1975 WHEN DOMESTIC SUPPLIES OF RICE FROM MAHA CROP WILL BE LESS THAN EXPECTED. THIS WILL BE PERIOD IN WHICH MAXIMUM IMPACT CAN BE OBTAINED FROM ARRIVAL OF PL 480 WHEAT SUPPLIES. HOWEVER, IF ALLOCATION IS NOT MADE NOW, OPPORTUNITY WILL BE LOST BECAUSE OF INABILITY MAKE PHYSICAL ARRANGEMENTS TO SHIP FLOUR IN TIME.

12. BALANCE OF PAYMENTS POSITION: ACCORDING ERD DIRECTOR DECEMBER 9, REVISED PROJECTION FOR UNFINANCED 1975 FOREIGN EXCHANGE GAP IS RS. 764 MN (US \$114 MN AT US \$1-RS-6.63). THIS INCLUDES ALL EXPECTED AID AND CREDITS. AT CURRENT PRICES, EACH ADDITIONAL 100,000 TONS IMPORTS WOULD INCREASE THIS DEFICIT BY \$36 MN IF FOR FLOUR AND \$40 MN IF FOR RICE.

13. GSL APPEALS AND THE UNITED STATES POSITION; AFTER SEVERAL MONTHS OF LOWER KEY PRESS ATTENTION TO FOOD PROBLEM. NOVEMBER 30 CEYLON DAILY MIRROR, (TIMES GROUP, GOVERNMENT ORIENTED) RAN FRONTPAGE ARTICLE BANNER HEADLINED "OUT - FLOUR UNDER US PL-480?". ARTICLE SAID THAT (A) PL-480 VERY UNLIKELY IN 1975; (B) ACCORDING TRADE MINISTRY SOURCES, NO INDICATION HAD BEEN GIVEN BY USG ON FURTHER SUPPLIES--DUE TO COMMITMENTS ALREADY SIGNED, INCLUDING TO USSR; (C) BECAUSE PL-480 UNAVAILABLE, GSL NOW LOOKING TO OTHER SOURCES ON CREDIT TERMS. PROMPTED BY ARTICLE, ERD DIRECTOR AND FC SUBSEQUENTLY ASKED EMBASSY OFFICER WHAT PRESENT USG POSITION IS. BASED ON PARA 7, REF (A) AND PARA 3 REF (B) RESPONSE WAS THAT POSITIVE DECISION COULD BE REACHED DURING DECEMBER. IF NOT, THERE WOULD BE NO NEGATIVE DECISION AND MATTER WOULD REMAIN UNDER ACTIVE CONSIDERATION. FKGLATER SHOWED EMBOFF MEMORANDUM HE SENT FOREIGN MINISTRY GIVING THIS POSITION AND NOTING THAT IT SHOULD BE PASSED TO PRIME MINISTER. FOLLOWING THESE EXCHANGES WITH SENIOR WORKING LEVEL OFFICIALS AND REPEATED HIGH LEVEL APPEALS OVER RECENT WEEKS, IT IS CLEAR PM AND CONCERNED MINISTERS ARE INTENSELY INTERESTED IN USG DECISION FROM STANDPOINTS BOTH OF ESSENTIAL FINANCIAL AND NUTRITIONAL ASSISTANCE AND OF SIGNAL OF SUPPORT. IN ADDITION, LEFTISTS HAVE DRAWN ATTENTION TO LACK OF US ASSISTANCE, WITH LSSP WEEKLY "NATION" SAYING IN FRONT PAGE ARTICLE. "WE ASK FOR PL 480 FLOUR AND WE RECEIVE ADVICE".

14. CONCLUSION: BASED ON SRI LANKA NUTRITIONAL, FINANCIAL

AND POLITICAL CIRCUMSTANCES REPORTED LAST SEVERAL WEEKS,
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 COLOMB 03432 02 OF 02 120407Z

WE RECONFIRM OUR STRONG RECOMMENDATION THAT USG NOW FULFILL ITS
MAY 1974 PLEDGE OF \$8 MILLION IN WHEAT FLOUR AND NOTIFY GSL
OF POSITIVE DECISION BEFORE JANUARY 1.
BYRNE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PL 480, WHEAT, FOOD ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974COLOMB03432
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740360-0550
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741244/aaaablyc.tel
Line Count: 342
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 STATE 261629, 74 STATE 23688-3, 74 COLOMBO 3312:
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2002 by kelleyw0>; APPROVED <26 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SRI LANKA FOOD SITUATION: THE CASE FOR PL 480
TAGS: PFOR, EAID, CE, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005